

The Next Risk-Management Challenge: Your Company's Reputation

Your organization's reputation is a valuable asset, and more global companies are adding reputation risk management to their overall risk-management strategy, according to *Managing Reputation Risk and Reward*, a report from the Conference Board (www.conference-board.org).

Reputation is how a company is perceived by each stakeholder group, and reputation risk is the risk that an event will negatively influence stakeholder perceptions, according to the report. Many reputation risks are the secondary result of other, more traditionally recognized risks. For example, if a manufacturer produces an unsafe product, it may lose customers and is likely to suffer financial costs from a product recall, both of which affect reputation.

"Although reputation is a quintessential intangible asset, a strong corporate reputation yields concrete benefits—higher market value, stronger sales, and an increased ability to hire the best and the brightest," said Sandy Bayer, president of Bayer Consulting and a co-author of the report.

"Different stakeholder groups are becoming more sophisticated in how they drive corporate reputations," noted Ellen Hexter, director, enterprise risk management at the Conference Board and a co-author of the report. "Critics on the Internet can now transmit their opinions and complaints around the world with ease. Most importantly, consumers have high expectations that companies will not only produce quality products and services but also will act ethically in their creation and distribution."

Input from the Conference Board Reputation Risk Research Working Group and a survey of 148 risk-management executives from major corporations is included in the report. More than three-quarters of the respondents (82 percent) said their companies are making a substantial effort to manage reputation risk, and 81 percent said they have increased focus on this area in the last three years. It is an area that should be integrated into enterprise risk management or another risk-oversight program, but the findings indicate that it often is not: Just 49 percent of executives said this was the case.

Assessing reputation risk is considered a top challenge by the respondents: 59 percent indicated that assessing perceptions and concerns of stakeholders was an extremely or very significant issue. A group of the respondents indicated they are working with specialist consulting firms to quantify the impact of reputation on share price.

Although social media sites are gaining influence and, thus can affect corporate reputations, only 34 percent of the survey respondents said they extensively monitor those sites, and just 10 percent actively participate in them.

What Makes a Good HR Leader?

Leading Now, Leading the Future: What Senior HR Leaders Need to Know, from the Society for Human Resource Management (SHRM), identifies the following eight leadership skills essential for HR business leaders:

- (1) knowledge of business, HR, and organizational operations;
- (2) strategic thinking and critical/analytical thinking;
- (3) leading change;
- (4) effective communication;
- (5) credibility;
- (6) results orientation/drive for performance;
- (7) ethical behavior; and
- (8) persuasiveness/influencing others.

Senior HR professionals employed in global organizations need both a global mindset and the ability to be flexible in order to adapt to changing global business needs, according to the report.

Ethical behavior also was an important leadership quality for the human resources profession, which HR leaders can demonstrate through their actions, decisions, and leadership within their organizations.

This mirrors findings from a previous SHRM survey on ethics where 76 percent of HR professionals reported that they felt "well prepared" to "very well prepared" to handle situations with the potential to result in violations to the organization's ethics policies or even a violation of the law.

"Successful senior HR leaders consistently show executives in the C-suite that they understand the broad operations and processes driving business," said SHRM president and CEO Laurence G. O'Neil. "Equally important is the ability to explain the role of human capital issues and solutions in the context of broader business operations linking finance, operations, and marketing."

The report is available at www.shrm.org/surveys.

Employers Take the Upper Hand in Wage Concessions

Despite all of the talk about the Employee Free Choice Act and labor's supposed power with the new administration, recent research conducted by BNA, *HRfocus's* parent company, indicates that union strength is feeling the recession's pinch when

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